

Tax Facts

This publication supplements the June *Tax Facts*, detailing new tax laws adopted since that publication was issued. Together, they provide a comprehensive discussion of new tax laws resulting from the 2003 legislative session. You can access the June *Tax Facts* at <http://dor.wa.gov>.

Note: Our June *Tax Facts* has an incorrect effective date for the documentary services fee auto dealers are allowed to charge buyers. The correct effective date is July 27, 2003.

As a result of Engrossed House Bill (EHB) 2269 (Chapter 13, Laws of 2003, 1st Special Session), the following changes apply.

Monthly Tax Returns Now Due on the 20th

Beginning with the July 2003 tax return, the due date on all monthly tax returns is the 20th of the following month. It was previously the 25th. This affects monthly filers of the Combined Excise Tax Return, EFT accounts, monthly ELF filers, and Oil Spill Tax Returns.

New electronic funds transfer (EFT) due dates – For those that are required to pay taxes by EFT (annual tax liability of \$240,000 or more) and those who voluntarily pay by EFT, the date that you must initiate Automated Clearing House (ACH) debit or credit payment has also changed. An EFT due date flyer will be sent to each monthly EFT filer.

Questions about EFT payments? Call (360) 902-7170. Questions about Electronic Filing (ELF)? Go to http://dor.wa.gov/apps/elf/elf_main.asp.

The Cost of Making a Mistake Just Went Up!

EHB 2269 adds new penalties and increases existing penalties for unpaid taxes. The new penalties and penalty rates take effect on **July 1, 2003**, and will make it more costly when you don't pay all of the tax you owe on time.

Don't guess on how to file your taxes. You could be wrong and be penalized for an error that you could easily avoid.

Do contact the Department of Revenue. We want to make sure that you are filing correctly and won't be surprised by unexpected billings and penalties.

Avoid costly mistakes!

- File electronically. It decreases your chance of errors and erases any worries about mail delays.
- If filing a paper return, mail it several days before the due date.

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- Write for a binding letter ruling to know the taxability of your activities.
- Request a tax consultation visit.
- Call our Telephone Information Center with any questions (1-800-647-7706).

The higher penalty rates and new penalties apply to tax returns received and billings and assessments issued on or after July 1, 2003.

The specific penalty rate changes and penalty applications include:

Higher tax return penalties for late filing

Higher delinquent penalties apply to tax returns filed late after July 1, 2003, regardless of the due date of the taxes subject to penalty.

The new late payment penalties will apply as follows:

Number of days after return due date <small>*(Due date will be the following business day if it falls on a weekend or holiday.)</small>	Delinquent penalty
One day after the due date to the last day of the month following the due date.	5% (<i>no change</i>)
First day of the second month following the due date to the last day of that month.	15% (<i>was 10%</i>)
First day of the third month thereafter.	25% (<i>was 20%</i>)

***Example:** The July 2003 Combined Excise Tax Return is due on August 20, 2003.

- If the return is filed from August 21 through September 30, the return will be assessed a five percent delinquent penalty.
- From October 1 through October 31, the return will be assessed a 15 percent delinquent penalty.
- Starting on November 1, the return will be assessed a 25 percent delinquent penalty.

Penalties on assessments and billings

A new **five percent penalty** is automatically added to all billings and assessments originally issued by the Department of Revenue on or after July 1, 2003.

This includes, but is not limited to:

- Tax assessments resulting from an audit,
- Notices of balance due issued because of underpayments or mistakes made on tax returns, and
- Compliance assessments.

The billing penalty is imposed on top of any late penalties applied to tax returns contained within the billing. If a billing is not paid in full by the due date specified on the billing, the penalty increases as follows:

Number of days after billing due date <small>(Due date will be the following business day if it falls on a weekend or holiday.)</small>	Delinquent penalty increases to:
1-30 days	15%
31 or more days	25%

Increased penalty for tax warrants

The penalty that the Department of Revenue applies when a tax warrant is issued increased from five percent to **ten percent**. A tax warrant is a document issued by the Department of Revenue to assess unpaid excise taxes. A tax warrant can be filed as a lien with a county's Superior Court. Warrant penalties for tax warrants issued prior to July 1, 2003, will not change. *Effective for all tax warrants originally issued on or after July 1, 2003, regardless of the periods included in the tax warrant.*

Penalties for unregistered businesses

A **five percent penalty** will be assessed on any tax owed by a business that the Department of Revenue discovers has been operating without being registered with the Department. *Effective for all unregistered businesses discovered on or after July 1, 2003.*

The penalty does not apply if the business voluntarily registers or registers through the Department's Voluntary Disclosure Program, located on our web site at <http://dor.wa.gov> prior to being contacted by the Department of Revenue.


Recordkeeping requirements and penalties for special event promoters

Special event promoters must verify that vendors making retail sales of tangible personal property or providing services at an event are registered with the Department of Revenue. Vendors not registered cannot participate in the special event. The promoter will be penalized \$100 for each unregistered vendor allowed to make sales.

Also, promoters must keep specific records of all special events and participating vendors. They must supply the information to the Department, if requested, within 20 days or face a penalty of \$250, plus \$100 for each vendor for whom the required information was not provided. The Department will provide a form for businesses to report the required information. Some special events are exempted from these requirements. The Department anticipates issuing a Special Notice to provide further information. *Effective for all special events held on or after July 1, 2003.*



Additional 2003 Legislative Tax Changes

The 2003 Legislature made several changes to taxes and programs administered by the Department of Revenue (DOR) that weren't included in the June 2003 *Tax Facts* because of publishing deadlines. The following is a brief summary of the bills that were signed into law after the end of the regular legislative session. Topics on which the Department anticipates issuing Special Notices are identified by this icon  and can be accessed on DOR's web site at <http://dor.wa.gov>.

You can access copies of complete bills online at the Washington State Legislature's web site at <http://www.leg.wa.gov/wsladm/bills.cfm>.



Holding time for unclaimed property – Engrossed House Bill (EHB) 2269 (Chapter 13, Laws of 2003, 1st Special Session) changes the timeframe beyond which unclaimed property is considered to be abandoned from five years to three years. *Effective January 1, 2004.*


Successorship changes – Engrossed House Bill (EHB) 2269 (Chapter 13, Laws of 2003, 1st Special Session) changes the definition of a “successor” for excise tax purposes to include persons that acquire more than 50 percent of the fair market value of either the tangible assets or intangible assets of a business or a surviving corporation of a statutory merger. The bill also specifies that if the fair market value of the assets acquired is less than \$50,000, the successor's liability for the seller's unpaid tax debt is limited to the fair market value of the assets they acquired from the seller. *Effective July 1, 2003.*

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FAR part 145 repair facilities – Engrossed Substitute Senate Bill (ESSB) 5071 (Chapter 2, Laws of 2003, 1st Special Session) reduces the B&O tax rate from 0.484 percent to 0.275 percent for businesses that have FAA certification as “FAR part 145 repair facilities.” The new rate applies only to businesses taxable under RCW 82.04.250(2) that are exempt from sales tax and that:

- Are classified by the FAA as a FAR part 145 certificated repair station with airframe and instrument rating; and
- Have limited rating for nondestructive testing, radio, Class 3 Accessory, and specialized services.

To be eligible for the new tax rate, businesses must submit quarterly reports to the Department of Revenue.
Effective August 1, 2003 through July 1, 2006.

 **Quality maintenance fee on nursing facility operators** – Engrossed Second Substitute Senate Bill (ESSSB) 5341 (Chapter 16, Laws of 2003, 1st Special Session) imposes a maintenance fee on nursing home facilities of \$6.50 per patient per day. *Effective July 1, 2003.*

Local voter approved property and sales taxes – Second Engrossed Substitute Senate Bill (SESSB) 5659 (Chapter 24, Laws of 2003, 1st Special Session) authorizes local governments to submit additional property tax levies or sales and use tax rate increases for voter approval at a primary or general election. The sales and use tax rate increase must not exceed 0.3 percent. Sales or leases of motor vehicles (up to the first 36 months of the lease) are exempt from any tax imposed under this new law. *Effective July 1, 2003.*

 **Aerospace industry tax incentives** – House Bill (HB) 2294 (Chapter 1, Laws of 2003, 2nd Special Session) provides a number of incentives (lower B&O tax rate, B&O tax credits, and sales and use tax exemptions) for businesses that manufacture commercial airplanes or component parts thereof. The law provides additional incentives (B&O tax credits, sales and use tax, leasehold tax, and property tax exemptions) for only manufacturers of commercial airplanes. *Effective on the first day of the month in which a “memorandum of agreement” to build a significant commercial airplane final assembly facility in Washington is signed by the Governor and a commercial airline manufacturer. If such an agreement is not signed by June 30, 2005, the above incentives are null and void.*



On the Web

<http://dor.wa.gov>

Telephone Information Center
1-800-647-7706

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342.
Teletype (TTY) users please call 1-800-451-7985.

